

Valad Management Services Limited
Annual Report and Financial Statements
For the Year Ended 30 June 2009

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Valad Management Services Limited
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 30 June 2009

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Valad Management Services Limited

DIRECTORS, OFFICERS AND PROFESSIONAL SERVICE PROVIDERS

For the year ended 30 June 2009

DIRECTORS

M McCarthy
A Okunola

COMPANY SECRETARY

Valad Secretarial Services Limited

REGISTERED OFFICE

Europa House
20 Esplanade
Scarborough
North Yorkshire
YO11 2AQ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

SOLICITORS

Shepherd & Wedderburn
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ET

BANKERS

Bank of Scotland
155 Bishopsgate
London
EC2M 3YB

Valad Management Services Limited

DIRECTORS' REPORT

For the year ended 30 June 2009

The directors present their report and the audited financial statements for the year ended 30 June 2009.

PRINCIPAL ACTIVITY

The principal activity of the company is payment and recharge of expenditure for the Valad (Europe) plc group.

RESULTS & DIVIDENDS

During the year the company made a loss of £55,021 (2008: profit £3,741,914). The directors recommend that a dividend of £nil be paid (2008: £nil). Despite the current economic climate we have prepared the financial statements on a going concern basis. The justification for this is disclosed in the statement of accounting policies under the basis of preparation note.

GOING CONCERN

Despite the current economic climate we have prepared the financial statements on a going concern basis. The justification for this is disclosed in the statement of accounting policies under the basis of preparation.

DIRECTORS

The directors who served during the year are as follows:

M McCarthy	(Appointed 24 December 2009)
A Okunola	(Appointed 5 January 2009)
P Oliver	(Resigned 24 December 2009)
M Shepherd	(Resigned 24 December 2009)
M Wilson	(Resigned 15 January 2009)

DONATIONS

The company has made no political or charitable donations during the year (2008: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The directors of Valad Management Services Limited and Valad (Europe) plc Group manage the Group's risks at a Group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the business of Valad Management Services Limited. The principal risks and uncertainties of Valad (Europe) plc, which include those of the Company, are discussed in the Group's annual report which does not form part of this report.

KEY PERFORMANCE INDICATORS

The directors of Valad (Europe) plc manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators of the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company. The development, performance and position of Valad (Europe) plc, which includes the Company, is discussed in the Group's annual report, which does not form part of this report.

FINANCIAL RISK MANAGEMENT

The Company's financial risk management is set out in detail in note 13 to the financial statements.

SUPPLIER PAYMENT POLICY

The Company does not follow any specific external code or standard on payment practice. Its policy is normally to pay suppliers according to terms of business agreed with them on entering into binding contracts and to keep to the payment terms provided the relevant goods or services have been supplied in accordance with the contracts.

Valad Management Services Limited

DIRECTORS' REPORT (CONTINUED)

For the year ended 30 June 2009

ETHICAL POLICY

The Company is committed to working with our employees, customers, suppliers and contractors to promote responsible working and trading practices.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each director is aware, there is no relevant audit information of which the Company's auditors, PricewaterhouseCoopers LLP are unaware and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



A Okunola
Director

23 December 2009

Company registration number: 3992917

Valad Management Services Limited

INDEPENDENT AUDITORS' REPORT FOR VALAD MANAGEMENT SERVICES LTD

For the year ended 30 June 2009

We have audited the financial statements of Valad (Basingstoke) Limited for the year ended 30 June 2009 which comprise the Income Statement, Statement of Changes in Equity, Balance Sheet, Cash Flow Statement, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2009 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

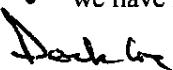
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Derek Coe (Senior Statutory Auditor)
for and on behalf of **PricewaterhouseCoopers LLP**
Chartered Accountants and Statutory Auditors
Leeds

23 December 2009

Valad Management Services Limited

INCOME STATEMENT

For the year ended 30 June 2009

	Notes	Year Ended 30 June 2009	Year Ended 30 June 2008
		£	£
Income from recharging expenses to other group companies		15,869,483	20,203,259
Administrative expenses		(15,443,663)	(17,382,566)
OPERATING PROFIT	2	425,820	2,820,693
Loss on sale of fixed assets		(123,543)	-
Finance income	4	69,966	22,156
Finance costs	3	(2,246)	(2,550)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		369,997	2,840,299
Income tax (expense)/credit	6	(425,018)	901,615
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(55,021)	3,741,914

All activities are derived from continuing operations.

There have been no recognised gains or losses other than the results above.

The notes on pages 10 - 20 form part of these financial statements

Valad Management Services Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	Share capital	Capital redemption reserve	Share option reserve	Retained earnings	Total equity
	£	£	£	£	£
Balance at 30 June 2007	2	369,640	-	(2,824,295)	(2,454,653)
Profit for the financial period	-	-	-	3,741,914	3,741,914
Movement in reserves	-	-	146,789	-	146,789
Balance at 30 June 2008	2	369,640	146,789	917,619	1,434,050
Loss for the financial year	-	-	-	(55,021)	(55,021)
Movement in reserves	-	-	238,884	-	238,884
Balance at 30 June 2009	2	369,640	385,673	862,598	1,617,913

Included in reserves is an amount of £385,673 in relation to share options granted to members of the senior management of the Company. The share options are in respect of shares in the Company's ultimate parent, Valad Property Group, a listed Australian entity. Full disclosure of the share options granted are presented in the published accounts of Valad Property Group.

Valad Management Services Limited

BALANCE SHEET

For the year ended 30 June 2009

		30 June 2009	30 June 2008
	Notes	£	£
FIXED ASSETS			
Tangible fixed assets	8	718,717	866,158
Intangible fixed assets	9	901,542	-
		<u>1,620,259</u>	<u>866,158</u>
CURRENT ASSETS			
Receivables	10	13,673,866	44,306,930
Cash at bank and in hand		-	76,351
Current tax assets		-	2,384,154
		<u>13,673,866</u>	<u>46,767,435</u>
CURRENT LIABILITIES			
Payables	11	(13,670,096)	(46,199,543)
Borrowings	12	(6,116)	-
		<u>(13,676,212)</u>	<u>(46,199,543)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(2,346)</u>	<u>567,892</u>
NET ASSETS		<u>1,617,913</u>	<u>1,434,050</u>
EQUITY			
Called up share capital	14	2	2
Capital redemption reserve		369,640	369,640
Share option reserve		385,673	146,789
Retained earnings		862,598	917,619
TOTAL EQUITY		<u>1,617,913</u>	<u>1,434,050</u>

Approved by the Board and signed on its behalf by:



A Okunola

Director

23 December 2009

The notes on pages 10 - 20 form part of these financial statements

Valad Management Services Limited

CASH FLOW STATEMENT

For the year ended 30 June 2009

	2009 £000	2008 £000
Cash flows from operating activities		
(Loss)/profit for the financial year	(55,021)	3,741,914
Loss on sale of fixed assets	123,543	-
Net finance cost	(67,720)	(19,606)
Income tax expense/(credit)	425,018	(901,615)
Operating cash flow before movements in working capital	425,820	2,820,693
Decrease/(increase) in receivables	33,299,016	(22,145,851)
(Decrease)/increase in payables	(32,572,361)	18,536,103
Cash generated from/(used in) operations	1,152,475	(789,055)
Income tax (expense) / credit	(425,018)	901,615
Finance cost	(2,246)	(2,550)
Cash (used in)/generated from operating activities	725,211	110,010
Cash flow from/(used in) investing activities		
Finance income	69,966	22,156
Investment in new software / tangible assets	(901,542)	(101,124)
Proceeds from sale of fixed assets	23,898	-
Cash generated from investing activities	(807,678)	(78,968)
(Decrease)/increase in cash	(82,467)	31,042
Cash and cash equivalents at start of year	76,351	45,309
(Decrease)/increase in cash	(82,467)	31,042
Cash and cash equivalents at end of year	(6,116)	76,351

Valad Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with European Union ("EU") Endorsed International Financial Reporting Standards ("IFRSs"), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. IFRSs also require an alternative treatment to the historic cost convention in certain circumstances (principally in the areas of retirement benefit obligations, share based payments and financial instruments). These financial statements are covered by IFRS 1, First-time adoption of International Financial Reporting Standards, as they are the Company's first IFRS financial statements.

The Company has adopted the amendment to IAS 39 'Financial instruments: recognition and measurement' and IFRS 7 'Financial instruments: disclosures' in 2008 with no material impact on either the current or prior periods.

In preparing the financial statements, the following pronouncements which are not yet effective have not been adopted early by the Company.

IAS 1 (revised), 'Presentation of Financial Statements'. The most significant change within IAS 1 (revised) is the requirement to produce a statement of comprehensive income setting out all items of income and expense relating to non-owner changes in equity. There is a choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income. The company will apply IAS 1 (revised) from 1 July 2009. The effect on the 2010 accounts is not expected to be material.

IFRS 8 'Operating segments'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company will apply IFRS 8 from 1 July 2009. The effect on the 2010 accounts is not expected to be material.

IAS 23 (revised), 'Borrowing Costs'. The standard is effective from 1 January 2009 and the amendment to the standard is still subject to endorsement by the EU. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The company will apply IAS 23 (Amended) from 1 July 2009, subject to endorsement by the EU. The effect on the 2010 accounts is not expected to be material.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial years beginning after 1 January 2009, but are not currently relevant to the Company:

- IFRIC 13 'Customer Loyalty Programmes';
- IFRIC 15, 'Agreements for the Construction of Real Estate'; and
- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation'.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 July 2009 and have not been adopted early:

Valad Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2009

1. ACCOUNTING POLICIES (Continued)

Basis of preparation (continued)

IFRS 3 (revised), 'Business Combinations' and consequential amendments to IAS 27, 'Consolidated and Separate Financial Statements', IAS 28, 'Investments in Associates' and IAS 31, 'Interests in Joint Ventures', effective prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after 1 July 2009. The Group will apply IFRS 3 (revised) to all business combinations from 1 July 2010, subject to endorsement by the EU.

IFRIC 17, 'Distributions of Non-Cash Assets to Owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

IFRIC 18, 'Transfers of Assets From Customers', effective for transfers of assets received on or after 1 July 2009. This is not relevant to the Group as it has not received any assets from customers.

General information

The Company is a limited liability Company incorporated and domiciled in England and Wales. The address of its registered office is: Europa House, 20 Esplanade, Scarborough, North Yorkshire, YO11 2AQ.

Going concern

The accounts are prepared on the basis that the Company is a going concern. The company is a subsidiary of the Valad (Europe) plc group and is party to cross guarantees in relation to the Group's bank facilities. The directors have taken into account its reliance on financial support provided by group companies.

Immediately following the year end, the Group agreed new banking facilities with Lloyds Banking Group to refinance existing indebtedness and for working capital purposes. The new facility, which is a £15 million revolving credit facility, is due for renewal on 30 June 2012. The facility introduces financial covenants measured on a quarterly basis. Further details on the new facilities are included in the accounts of Valad (Europe) plc.

In forming their view as to going concern, the directors have considered the group's working capital projections (which incorporate the company) for the period to 30 June 2012 based on its trading forecasts and taking into account the medium term nature of the facilities described above and having considered alternative scenarios based on key sensitivities. The projections indicate that the group will be able to operate within its agreed banking facilities, and existing cash resources, and that the headroom available on the facilities, and cash, and related covenants is adequate taking into account the key sensitivities.

Taking all the above the directors believe that the company will be able to meet its liabilities as they fall due for the foreseeable future and that it is appropriate to prepare the company's financial statements on the going concern basis.

Trade receivables

Trade receivables are recognised initially at fair value and are subsequently reduced by any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due. Indicators of impairment would include financial difficulties of the debtor, likelihood of the debtor's insolvency, default in payment or a significant deterioration in credit worthiness. Any impairment is recognised in the income statement within 'other operating income and expenses'. When a trade receivable is uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against 'other operating income and expenses' in the income statement.

Valad Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2009

1. ACCOUNTING POLICIES (Continued)

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the preparation of the Company's cash flow statements, cash and cash equivalents represent short term liquid investments which are readily realisable. Cash which is subject to restrictions, being held to match certain liabilities, is included in cash and cash equivalents in the balance sheet.

Financial instruments and derivatives

The Company recognises financial instruments when it becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual right to receive the cash flows expire or it has transferred the financial asset and the economic benefit of the cash flows. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial instruments are used to support the Company's operations. Interest is charged to the income statement as incurred or earned. Issue costs for instruments subsequently recorded at amortised cost are netted against the fair value of the related debt instruments on initial recognition and are charged to the income statement over the term of the relevant facility.

Financial instruments are recorded initially at fair value. Subsequent measurement depends on the designation of the instrument, as follows:

- a) Financial assets/liabilities held for short term gain, including derivatives other than hedging instruments, are measured at fair value and movements in fair value are credited/charged to the income statement in the period.
- b) Loans and receivables/payables and non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market, are measured at amortised cost. These are included in current assets/liabilities except for instruments that mature after more than 12 months which are included in non current assets/liabilities.

Taxation

Current Tax

The charge or credit for current tax is based on the results for the year adjusted for items that are either not subject to taxation or for expenditure which cannot be deducted in computing the tax charge or credit. The tax charge or credit is calculated using taxation rates that have been enacted or substantively enacted at the balance sheet date.

Deferred Tax

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax is recognised in respect of all taxable temporary timing differences, with certain limited exceptions:

- deferred tax is not provided on the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination; and
- deferred tax assets are only recognised if it is probable that there will be sufficient profits from which the future reversal of the underlying timing differences can be deducted. In deciding whether future reversal is probable, the directors review the Company's forecasts and make an estimate of the aggregate deferred tax asset that should be recognised. This aggregate deferred tax asset is then allocated into the different categories of deferred tax.

Valad Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2009

1. ACCOUNTING POLICIES (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except where it applies to items credited or charged to equity, in which case the deferred tax is also dealt with in equity.

Income

Income comprises management fees receivable. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. All such income is reported net of discounts and value added and other sales taxes.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised in the financial statements in the year in which the dividends are paid (in the case of interim dividends) or approved by the Company's shareholders (in the case of final dividends).

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provisions for impairment. Depreciation is provided on fixed assets to write off the cost less the estimated residual value, in equal instalments over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Computer and office equipment, fixtures and fittings	3 to 5 years
Leasehold improvements	life of the lease
Motor vehicles	5 years

Pension costs

Payments made direct to employees' personal pension schemes are charged to the profit & loss account in the period to which they relate. Contributions payable to the Group's pension scheme, an insured defined contribution scheme, are charged to the profit and loss account in the period to which they relate.

2. OPERATING PROFIT

	Year Ended 30 June 2009	Year Ended 30 June 2008
Operating profit is stated after charging:	£	£
Auditors' remuneration – audit services		
- The audit of the Company	7,000	7,000
- The audit of subsidiary undertakings	143,000	152,750
Auditors' remuneration – non audit services		
- Tax advisory and compliance services	4,000	-
Depreciation	297,946	266,067

3. FINANCE COSTS

	Year Ended 30 June 2009	Year Ended 30 June 2008
	£	£
Bank interest payable	448	2,550
Other interest payable	138	-
Intercompany interest payable	1,660	-
	2,246	2,550

Valad Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2009

4. FINANCE INCOME

	Year Ended 30 June 2009	Year Ended 30 June 2008
	£	£
Bank interest receivable	6,349	8,752
Other interest receivable	48,709	10,365
Intercompany interest receivable	14,908	3,039
	<u>69,966</u>	<u>22,156</u>

5. STAFF COSTS & DIRECTORS EMOLUMENTS

	Year Ended 30 June 2009	Year Ended 30 June 2008
	£	£
Wages & salaries	8,925,633	10,035,026
Social security costs	45,418	19,488
Other pension costs	569,168	547,344
	<u>9,540,219</u>	<u>10,601,858</u>

The average number of employees during the period including directors was 94 (2008: 101).

Additional employee costs have been incurred by other Valad (Europe) Limited group companies. Full disclosure of Valad (Europe) Limited employee costs have been disclosed in the financial statements of the ultimate parent company.

No emoluments were paid to the directors during the year (2008: £nil). The directors' emoluments for the current year and prior period have been borne by a fellow group company.

6. INCOME TAX EXPENSE

	Year Ended 30 June 2009	Year Ended 30 June 2008
	£	£
Current tax		
UK corporation tax	-	(1,176,931)
Adjustments in respect of prior years	425,018	257,008
Total current tax expense/(credit)	<u>425,018</u>	<u>(919,923)</u>
Deferred tax		
UK deferred tax	-	(2,691)
Adjustments in respect of prior years	-	20,999
Total deferred tax expense/(credit)	<u>-</u>	<u>18,308</u>
Total income tax expense/(credit)	<u>425,018</u>	<u>(901,615)</u>

Valad Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2009

6. INCOME TAX EXPENSE (CONTINUED)

Factors affecting tax charge for the year

The tax assessed on the profit on continuing operations for the year is higher (2008: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Year Ended 30 June 2009	Year Ended 30 June 2008
	£	£
Profit before taxation	369,997	2,840,299
Tax on profit at standard UK corporation tax rate of 28% (2008: 29.5%)	103,599	837,888
Effects of:		
Group relief surrendered for nil consideration	(1,224,791)	-
Accelerated capital allowances	-	5,036
(Non-taxable) management recharge	(1,400,000)	(2,360,000)
Expenses not allowable for tax purposes	71,610	340,145
Adjustments to current tax in respect of prior periods	425,018	257,008
Income tax expense/(credit) for the year	425,018	(919,923)

7. DEFERRED TAX ASSET

	Accelerated tax depreciation	Total
	£	£
As at 1 July 2007	52,338	52,338
Charge to the income statement for the year	(18,308)	(18,308)
As at 30 June 2008	34,030	34,030
Credit to the income statement for the year	-	-
As at 30 June 2009	34,030	34,030

8. FIXED ASSETS

	Computer & Office Equipment	Fixtures & Fittings	Leasehold Properties	Total
Cost:	£	£	£	£
At 1 July 2008	549,585	361,227	693,552	1,604,364
Additions	74,153	165,590	37,306	277,049
Disposals	(35,493)	(25,958)	(143,023)	(204,474)
At 30 June 2009	588,245	500,859	587,835	1,676,939
Depreciation:				
At 1 July 2008	(394,273)	(121,846)	(222,087)	(738,206)
Charge for the year	(90,153)	(124,212)	(83,581)	(297,946)
Disposals	11,902	9,603	56,425	77,930
At 30 June 2009	(472,524)	(236,455)	(249,243)	(958,222)
Net Book Value:				
As at 30 June 2009	115,721	264,404	338,592	718,717
As at 30 June 2008	155,312	239,381	471,465	866,158

Valad Management Services Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 30 June 2009

9. INTANGIBLE FIXED ASSETS

The intangible fixed assets relates to the acquisition of new accounting software during the year.

10. RECEIVABLES

	30 June 2009	30 June 2008
	£	£
Trade debtors	43,186	28,811
Other debtors	36,500	885,848
Prepayments	351,795	356,581
VAT recoverable	-	92,432
Deferred tax	34,030	34,030
Accrued income	-	1,598,276
Amounts due from group undertakings	13,208,355	41,310,952
	<u>13,673,866</u>	<u>44,306,930</u>

All amounts due from group undertakings are repayable on demand, carry no security and interest is charged at a range of 2% to 6% per annum.

11. PAYABLES

	30 June 2009	30 June 2008
	£	£
Trade creditors	186,431	422,294
Other creditors	6,436	3,104
Amounts due to group undertakings	10,978,004	44,167,215
Accruals and deferred income	2,046,368	1,356,873
VAT payable	202,800	-
Other taxes and social security	250,057	250,057
	<u>13,670,096</u>	<u>46,199,543</u>

All amounts owed to group undertakings are repayable on demand, carry no security and interest is charged at a range of 2% to 6% per annum.

12. BORROWINGS

	30 June 2009	30 June 2008
	£	£
Bank overdraft	<u>6,116</u>	<u>-</u>

The bank overdraft are repayable on demand, carry no security and in interest free.

Valad Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2009

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company's financial instruments principally comprise debtors and creditors that arise directly from its operations. The Company has not entered into any derivative transactions during the year.

Risk management is carried out by a central treasury function on a group-wide basis for Valad (Europe) plc Group Limited, the immediate parent company, under policies approved by the Board of Directors of Valad Property Group Limited. The central treasury function identifies, evaluates and hedges financial risks for the group as a whole. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

Credit risk

The Company is subject to credit risk arising from outstanding receivables and committed cash and cash equivalents and deposits with banks and financial institutions. The Company's policy is to manage credit exposure to trading counterparties within defined trading limits. All of the Company's significant counterparties are assigned internal credit limits.

If any of the Company's customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Company assesses the credit quality of the customer taking into account its financial position, past experience and other factors.

Liquidity risk

The Company is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plan for growth. The Company manages its liquidity requirements with the use of both short and long-term cash flow forecasts. These forecasts are supplemented by a financial headroom position which is used to demonstrate funding adequacy for at least a 12 month period, for Valad Property Group as a whole.

The Company's main source of liquidity is its asset management business. Cash generation by this business is dependent upon the asset management fees.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the central treasury function aims to maintain flexibility in funding by keeping committed credit lines available.

Capital risk management

The Company is subject to the risk that its capital structure will not be sufficient to support the growth of the business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to its parent, issue new shares or sell assets to reduce debt.

14. CALLED UP SHARE CAPITAL

	30 June 2009 £	30 June 2008 £
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid:		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

Valad Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2009

15. RELATED PARTY TRANSACTIONS

Amounts owed by parent undertakings

The funding of Valad (Europe) plc and its subsidiaries ('the Group') is controlled centrally. Resources are allocated to different entities within the Group according to their needs, which constantly vary due to differing trading patterns, seasonality and other factors.

Amounts owed by/(due to) other Group companies together with amounts charged to those companies are set out below:

Invoiced to:	2009	2008
	Wages / salaries & overheads recharged	Wages / salaries & overheads recharged
	£	£
Valad (Europe) Plc	5,000,000	8,000,000
Valad Asset Management (UK) Limited	2,628,576	3,671,962
Property Fund Management Limited	371,218	-
I O Management Services Limited	1,684,367	1,996,894
Valad Development Management (UK) Limited	757,702	1,580,625
Valad Secretarial Services Limited	127,406	118,628
The IO Group	245,554	-
Equity Partnerships Fund Management Limited	10,411	23,925
GVIO France	499,285	683,127
Valad Germany	224,984	295,715
Valad Netherlands	294,272	277,836
Valad Denmark	212,379	184,528
Valad Poland	398,827	773,225
Valad Hungary	174,056	800,128
Valad Romania	174,566	-
Valad Czech Republic	205,090	-
Nordic Activ GP	1,443,933	737,186
Nordic Activ 2 GP	222,605	45,452
German Activ GP	1,184,265	815,638
	15,859,496	20,004,869

Valad Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2009

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Amounts owed (to)/from Group companies at year end are as follows:

Company name	2009	2008
	£	£
Property Fund Management Limited	371,218	302,343
The IO Group Limited	-	2,141
IO Ground Rents Limited	-	(704)
IO management Limited	-	1
IO Management Services Limited	1,684,367	9,946,954
Oceanrule Limited	-	24,801
The IO Group	245,554	-
PFM Coinvestment Partner Limited	-	101,315
Valad Secretarial Services Limited	127,406	255,280
Valad Development Management (UK) Limited	757,702	4,399,929
Teesland iDG Limited	-	-
Valad Holdings (UK) Plc	-	(633,695)
Valad (Europe) Plc	(9,701,837)	(43,156,249)
Valad Fund Management Holdings (UK) Limited	-	57,900
Equity Partnerships Fund Management Limited	10,411	627,797
Valad Capital Ventures (UK) Ltd	-	831,707
Valad Asset Management (UK) Limited	2,628,576	17,019,173
Valad (Oxford Road Reading) Ltd	-	180,302
Valad (Basingstoke) Limited	-	169,880
Equity Partnerships (Osprey) Limited	-	200,619
Valad Denmark	58,915	(4,158)
GVIO France	499,285	1,925,604
Valad Germany	(269,474)	1,766,431
Valad Netherlands	244,847	886,440
Valad Poland	779,257	1,333,604
Valad Hungary	453,038	1,222,981
Gateshead Investments	-	55,750
Valad Real Estate	174,566	-
Valad Czech Republic	205,090	-
Nordic Activ GP Limited	2,181,119	-
Nordic Activ GP 2 Limited	268,057	-
German Activ GP Limited	1,999,903	-
Valad Development Group	-	(40,588)
Valad TCL	(331,821)	(331,821)
Valad Capital Services Europe Limited	91,171	-
Valad Management (UK) Limited	(246,999)	-
	<u>2,230,351</u>	<u>(2,856,263)</u>

16. ULTIMATE & PARENT UNDERTAKING

The immediate parent undertaking is Valad Holdings (UK) plc and the ultimate parent undertaking is Valad Property Group Limited, a company listed on the Australian Stock Exchange. Copies of the financial statements are available from www.valad.com.au.

Valad Management Services Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2009

17. EVENTS AFTER THE REPROTING DATE

In July 2009 the Valad (Europe) Plc group, of which this company is a subsidiary, entered into a £15,000,000 Revolving Credit Facility with Bank of Scotland plc to refinance existing indebtedness and for working capital purposes. This facility comes up for renewal on 30 June 2012. Interest is payable at LIBOR plus a 3% margin, and an interest rate hedging facility has been entered into for £2,000,000 and €3,750,000 of the debt drawn down after the year end.

The maximum available facility will reduce on an annual basis to the following amounts, 30 June 2010 £14,000,000 and 30 June 2011 £13,000,000.

18. RECONCILIATION OF NET ASSETS AND PROFIT UNDER UK GAAP TO IFRS

The Company reported under UK GAAP in its previous financial statements for the period ended 30 June 2008. Under IFRS 1, *First-time adoption of IFRS*, a reconciliation is required of equity and profit as reported under UK GAAP as at 30 June 2008 to the revised equity and profit under IFRS, and a reconciliation of equity under UK GAAP to IFRS as at the transition date of 1 July 2007, is required. However, there has been no impact to the profit or net assets upon adopting IFRS in the period ended 30 June 2009, so no reconciliation is disclosed.